

**REVENUE BUDGET MONITORING AND FORECASTING 2019/20 – POSITION AS  
AT OCTOBER, 2019**

**SUMMARY:**

This report sets out the anticipated financial position for 2019/20, based on Quarter 2 (30 September 2019).

**RECOMMENDATIONS:**

Members are requested to note the latest Revenue forecasts.

**1 INTRODUCTION**

- 1.1 This report provides the first monitoring position statement for the financial year 2019/20. The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform members of any action to be taken if required.
- 1.2 Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate Head of Service before the meeting.

**2 EXECUTIVE SUMMARY**

- 2.1 The original budget (Net Portfolio Expenditure budget after adjustments) of £11.801m for 2019/20 was approved by Council on 21 February 2019, with the latest budget being £10.184m. This reduction is largely due to the transfer of Savings Plan items into the Major Projects and Property portfolio following investment property acquisitions at the start of the year. The latest budget also includes revenue budget carry forwards of £318k and additional spend from reserves of £141k as outlined and approved in the provisional outturn report to Cabinet on 28 May 2019. Further changes to the budget are outlined in this report (supplementary estimates, virements).
- 2.2 The expected forecast outturn for the current financial year is based on the Council's actual financial position for Quarter 2 with budget holders projecting

their year-end position based on known commitments and an estimate of income and expenditure for the remainder of the financial year.

### 3 REVENUE SUMMARY

3.1 The forecast outturn on the Portfolio Net Expenditure revenue budget is £10.274m; a variation of £89k when compared to the latest budget of £10.184m.

3.2 The forecast outturn variance across the Council's services (overspend or underspend, favourable or unfavourable) is shown in the table below:

**Table 1: Portfolio variance summary**

	2019/20 Original Budget (£'000)	2019/20 Latest Budget (£'000)	2019/20 Outturn Forecast (£'000)	2019/20 Variation (£'000)
<b>Q2 Budget Monitoring - MTFS format</b>				
Corporate & Democratic Services	5,613	5,832	5,829	(3)
Customer Experience and Improvement	43	278	230	(48)
Major Projects and Property	(2,668)	(4,642)	(4,172)	470
Operational Services	8,547	8,390	7,923	(468)
Planning & Economy	2,727	2,787	2,924	137
Reversal of capital/Pension	(2,460)	(2,460)	(2,460)	0
<b>Portfolio Net Expenditure</b>	<b>11,801</b>	<b>10,184</b>	<b>10,274</b>	<b>89</b>

3.3 Whilst the overall variation at Portfolio level can be viewed as reasonably positive (Net £89k overspend on £10.2m budget or 0.88%), there are several offsetting budget variations and additional income from s106 contributions received in the year is transferred to earmarked reserves. This tends to only focus on the variations within service delivery and does not consider the full financial position on the General Fund.

3.4 Therefore, Table 2 shows the outturn forecast position and impact of the projected outturn variance on the General Fund including non-portfolio' budgets (as detailed in the MTFS).

**Table 2: General Fund Revenue Summary**

	2019/20 Original Budget (£'000)	2019/20 Latest Budget (£'000)	2019/20 Outturn Forecast (£'000)	2019/20 Variation (£'000)
<b>Q2 Budget Monitoring - MTFS format</b>				
Corporate & Democratic Services	5,613	5,832	5,829	(3)
Customer Experience and Improvement	43	278	230	(48)
Major Projects and Property	(2,668)	(4,642)	(4,172)	470
Operational Services	8,547	8,390	7,923	(468)
Planning & Economy	2,727	2,787	2,924	137
Reversal of capital/Pension	(2,460)	(2,460)	(2,460)	0
<b>Portfolio Net Expenditure</b>	<b>11,801</b>	<b>10,184</b>	<b>10,274</b>	<b>89</b>
Corporate Income & Expenditure	1,785	1,089	720	(369)
Contributions to/from reserve accounts	(579)	(1,303)	(1,057)	246
Savings Plan (inc Vacancy monitoring)	(4,256)	(1,042)	(470)	572
<b>Net Total Expenditure</b>	<b>8,751</b>	<b>8,929</b>	<b>9,467</b>	<b>538</b>
<b>Total Funding</b>	<b>(11,688)</b>	<b>(11,687)</b>	<b>(11,687)</b>	<b>0</b>
<b>Core (Surplus) / Deficit</b>	<b>(2,937)</b>	<b>(2,758)</b>	<b>(2,220)</b>	<b>538</b>
<b>Additional Transfers to / (from)</b>				
General Fund Balance	0	0	0	0
Commercial Property Reserve	2,000	2,000	1,927	(73)
Stability & Resilience Reserve	484	484	0	(484)
Service Improvement Fund	453	453	293	(160)
<b>Core (Surplus) / Deficit after Transfers</b>	<b>0</b>	<b>179</b>	<b>0</b>	<b>(179)</b>

3.5 The net variation against the latest budget is an overspend/adverse position of £538k. When compared to the original budget, the net variation on the General Fund is £716k. This variation is largely due to:

- SANG Developer contributions received in year transferred to earmarked reserves. The net variation shown against Portfolio Net Expenditure includes £448k of SANG receipts which are then transferred out of the General Fund.
- Savings Plan/Vacancy Monitoring – As at the end of Q2, the Council has achieved savings to date of £3.378m against the original savings plan target of £4.256m. However, the forecast for the year (consistent with the savings plan forecast included in the MTFS in October 2019) indicates that a further £0.470m will be achieved resulting in a shortfall of £0.572m.

3.6 The impact of this variation can be seen in the Core Surplus/Deficit on the General Fund and subsequent additional transfers to reserves. It is not

considered prudent to fund this variation from the General Fund balance (currently maintained at £2m) in order to maintain reserve transfers at the budgeted level.

- 3.7 Reserve transfers have been prioritised in terms of risk. No additional transfer is forecast to the Stability and Resilience reserve (due to £559k being allocated from the favourable 2018/19 revenue outturn). The forecast transfer to Service Improvement Fund is £160k lower than the original budget, with the Commercial Reserve transfer being £73k less than the original budget.
- 3.8 Section 4 of the report and Appendix B set out the detailed variations across the portfolios. The summarised list below draws out the key variations that are deemed to be of significance to members.
- 3.9 Corporate & Democratic Services
- Land Charges – additional expenditure on searches undertaken by Hampshire County Council (£18k overspend)
  - Legal Services – delayed introduction of income tariff for s106 agreements (£25k income shortfall)
- 3.10 Customer Experience and Improvement
- N/A
- 3.11 Major Projects and Property
- External advice and support on the Council's Investment properties – funded from the Commercial Reserve (£63k additional expenditure)
  - 168 High Street Guildford - Additional costs and rental income shortfall, as advised to members in report RP1910 and funded from the Commercial Reserve (£325k additional expenditure/income shortfall)
  - Other Investment properties – known additional expenditure required as part of the Council's responsibility as landlord (£156k additional expenditure not included in the original budget due to timing of acquisitions)
  - Markets and Car Boot sales – Shortfall in income from markets and car boot sales partially offset by reduction in spend on casual staff (£14k net overspend)
- 3.12 Operational Services
- Car Parks and Parking Management – Several income variations including additional season ticket income, lower Pay and Display and PCN income (£49k income shortfall). However, this variation is offset by a saving on the CEO salary budget which is included in the Savings Target line.
  - Crematorium – Shortfall in cremation fee income (£60k)

- Parks and Recreation Grounds – Additional income received in respect of Rowhill SANG Developers contributions (£448k) is transferred to earmarked reserve

### 3.13 Planning & Economy

- Planning Policy – Additional expenditure on econsultancy as part of the SPA Project, funded from earmarked reserve (£26k additional expenditure)
- Development Control – Projected income shortfall on Planning Fee income largely due to uncertainty in the local housing market caused by Brexit (£114k income shortfall).

### 3.14 Corporate Income and Expenditure

- Treasury Management activities – Interest payable on external borrowing is likely to be £270k less than budgeted due to reduced borrowing requirement and impact of low interest rates. Interest received on the Council treasury investments has continued to improve with additional income of £231k anticipated. (£501k positive variation)

### 3.15 Savings Plan

- The outturn forecast assumes that the Council acquires additional commercial property in Q4 2019/20 and that savings arising from staff vacancies remains constant (but below the budgeted level). There is some risk that the savings target is not met with further detail provided in Section 5 of the report.

3.16 The potential effect of both the revenue and capital variances upon on each balance/reserve/funding source is shown in the table below.

**Table 3: Summary Reserve Movements**

<b>Balance and Reserves (excluding specific earmarked reserves)</b>	<b>Balance as at 01 April 2019 (£'000)</b>	<b>Planned transfer to / (from) Reserves (as per MTFS)</b>	<b>Additional Transfers to / (from) (£'000)</b>	<b>Forecast Balance at 31 March 2020 (£'000)</b>
General Fund Balance	2,000	0	0	2,000
Commercial Property Reserve	475	2,000	(548)	1,927
Stability & Resilience Reserve	4,869	483	(483)	4,869
Service Improvement Fund	1,001	(93)	(257)	651
Other Earmarked Reserves	5,719	(33)	93	5,779
<b>Subtotal</b>	<b>14,064</b>	<b>2,357</b>	<b>(1,195)</b>	<b>15,226</b>

3.17 **Appendix A** sets out the expected forecast outturn for the current financial year is based on the Council's actual financial position for Q2.

#### 4 REPORTED VARIANCES

4.1 The outturn estimates a net unfavourable variance (overspend) of £89,415 as likely to occur in 2019/20 against the current approved budget. Major variances are set out in **Appendix B**.

4.2 A significant element of the overall variance (£159k net transfer to reserves) is due to changes in income that are either ring-fenced for use outside of the general fund or have been received in advance for future years' funding. These amounts are not available for spending on general activities and will be transferred to various reserves as follows:

- £448k net additional income in respect of s106 developers' contributions for Suitable Alternative Natural Green Space (SANG) which is ring-fenced for spending on SANG provision and maintenance at Southwood Woodlands and Rowhill Nature Reserve.
- £26k increase in expenditure as a result of consultancy on SPA project. Transfer from Planning Delivery Fund
- A reduction in transfer to Civil Parking Enforcement (CPE) surplus due to a net increase in revenue cost of £29k (£77K non-salary expenditure increase and £48K salary saving)
- £174k net income in respect of A331 Air Quality Projects
- £40k funded from Service Improvement Fund as a result of additional expenditure on property valuations.
- £23k transfer from Commercial reserve to fund Lambert Smith Hampton property evaluation
- £275k transfer from Commercial reserve to cover the loss of rental income from 168 High St Guildford.

4.3 Estimates for interest receivable have increased by £231k due to increased returns from investment portfolio. Interest payable on borrowing has decreased by £270k due to a decrease in our borrowing requirement (largely due to changes in timing of purchases within the capital programme). This combination has resulted in a favourable variance of £501k.

4.4 As a result of the variations referred to above, the general fund forecast shows a projected year-end balance of £2m after reviewing the level of transfers to or from major reserves such as the Stability & Resilience Reserve, the Service Improvement Fund and Commercial Reserve.

## 5 INCOME/SAVINGS TARGETS

5.1 The original budget for 2019/20 identified the need for £3.931m of savings/income generation and £0.325m of Vacancy monitoring savings (£4.256m in total). During quarter 2 £3.214m of net cost reductions have been built into the approved budget. Resulting in a current approved budget savings target of £1.042m and an outturn forecast of £0.470m.

5.2 Table 4 below shows the savings movement by area. Detail savings per portfolio are given in **Appendix D**.

**Table 4: Savings Movement Summary**

Savings Plan progress	2019/20 Target (£'000)	Q2 Achieved (£'000)	Still to achieve in year (to match target)	Forecast (£'000)	Over / (Under) achieved (£'000)
<b>Items included in MTFs (Feb 2019)</b>					
Organisational Redesign	300	20	280	20	(280)
Major contract renewal - Leisure	230	230	0	230	0
Commercial Property Investment	3,191	2,764	427	3,070	(121)
Reduction in service costs	151	160	(9)	160	9
Reviewing fees, charges and concessions	59	0	59	0	(59)
<b>Subtotal</b>	<b>3,931</b>	<b>3,174</b>	<b>757</b>	<b>3,480</b>	<b>(451)</b>
<b>Additional in-year savings identified</b>					
Better Procurement	0	40	(40)	40	40
<b>Subtotal</b>	<b>0</b>	<b>40</b>	<b>(40)</b>	<b>40</b>	<b>40</b>
<b>TOTAL Savings Plan</b>	<b>3,931</b>	<b>3,214</b>	<b>717</b>	<b>3,520</b>	<b>(411)</b>
Vacancy Monitoring	325	164	325	164	(161)
<b>TOTAL Savings + VM</b>	<b>4,256</b>	<b>3,378</b>	<b>1,042</b>	<b>3,684</b>	<b>(572)</b>

5.3 The staff monitoring exercise has identified a net projected outturn of £164k from salary savings, which is below the £325k expected to be delivered against the original budget.

## 6 RESERVES

6.1 The level of risk-based balance shown for the General fund consistent with the approved range of £1m-£2m. The forecast position on the General Fund risk-based balance is likely be maintained at £2m.

6.2 Consideration should be given to balances across the three main working reserves – the General Fund, the Stability and Resilience Reserve and the

Service Improvement Fund – to determine the appropriate levels to hold in each in accordance with the Financial Strategy.

- 6.3 The Stability and Resilience Reserve was set up to allow the Council to weather fluctuations in its net expenditure while consideration is given to longer-term plans for meeting any funding gap. This means that actions are thought-through and well-considered rather than relying on quick fix, unsustainable solutions. Given the volatility in our income streams, especially around the operation of the Business Rates Retention Scheme, it is prudent to hold a reasonable reserve for this purpose. This is particularly relevant given the uncertainty around local government funding beyond 2020/21.
- 6.4 The balance on the fund at the close of 2019/20 is estimated at £4.869m to cover short-term fluctuations in income due to the operation of the Business Rates Retention Scheme, for example.
- 6.5 The Service Improvement Fund is held to support key projects such as invest-to-save schemes, which underpin the Council’s plan for a sustainable organisation. Table 5 below shows the use of the Fund as approved in the revised budget alongside the latest estimates of expenditure for both the current and future years.

**Table 5: Service Improvement Fund**

	Approved Budget 2019/20	Earmarked (budget subject to business case)	Forecast Expenditure 2019/20	Q2 Monitoring Forecast Expenditure 2019/20
<b>Service Improvement Fund</b>				
Opening balance on Fund			(1,001,007)	(1,001,007)
Additional Income	(453,100)		(453,100)	(293,000)
Backfill for Finance improvement projects	4,490	0	4,490	4,490
Temporary Property Assistant	4,090	0	4,090	4,090
Regeneration Backfill	60,000	0	60,000	60,000
Organisational Redesign, Structure Review and Transitional Arrangements	204,731	0	204,731	204,731
Rushmoor 2020	300,000	318,000	618,000	618,000
Feasibility Studies	10,000	0	10,000	10,000
Council Offices Boiler Replacement	0	18,000	18,000	19,878
Investment Property portfolio advice/support			40,000	
Expenditure in year			959,311	921,189
<b>Closing balance</b>			<b>(494,796)</b>	<b>(372,818)</b>

- 6.6 The Council has the flexibility to use some of its Capital Receipts to support revenue spending in the pursuit of efficiency and service transformation.



6.7 The strategy for Flexible Use of Capital Receipts 2019/20 was approved at Full Council on 21 February 2019.

**Table 6: Flexible Use of capital Receipts**

Project	Original Budget 2019/20	Slippage/ (Pre-Spend) to 2019/20	Total Approved Budget 2019/20	Forecast Expenditure 2019/20	Forecast Variance
Opening Balance			187,416	187,416	
Additional Capital Receipt					
<b>Income Generation &amp; Commercial</b>					
To support the delivery of the Housing and Regeneration Programme	-	17,212	17,212	17,212	-
To explore new ways of delivering services while maintaining or improving service standards and reducing costs	57,500	10,217	67,717	67,717	-
<b>Customer &amp; Digital</b>					
A comprehensive IT approach to integrate the client and contractor systems	-	26,289	26,289	26,289	-
Feasibility and implementation of an expanded customer hub model	35,500	10,101	45,601	45,601	-
Unassigned	30,600	- 3	30,597	-	- 30,597
<b>Total Expenditure</b>			<b>187,416</b>	<b>156,819</b>	<b>- 30,597</b>
<b>Closing Balance</b>			<b>0</b>	<b>30,597</b>	

6.8 The overall effect on the main working balances is shown in Table 3 earlier in the report

## 7 RISK AREAS

7.1 Due to the level of known financial risk, flexibility has been built into the Council's financial plans by setting aside reserves to be used to manage fluctuations in expenditure or income, to mitigate against other known risks and to support key projects such as invest-to-save schemes, which underpin the Council's plan for a sustainable organisation.

7.2 Considerable progress has been made in the implementation of income generation plans such as those from commercial property acquisition and further acquisitions are currently planned. Other significant projects to deliver efficiencies will come forward as part of the Council's Modernisation and

Improvement report set out in a separate report on the Cabinet agenda for this meeting.

7.3 Fluctuations in business rate income, changes to the business rates system as part of the 75% retention scheme and the Fair Funding Review (due in 2021/22) underline the need for reasonable levels of reserves. Maintaining sufficient level of reserves aids mitigation against the risk of sudden downturns in major income streams. This also protects the Council from some of the risk around borrowing costs, enabling it to continue with major capital projects such as regeneration schemes. At the same time undergoing a transformation programme (ICE). Modernisation and improvement of the Council's core services should improve the customer experience as well as generating additional income and/or reducing costs through efficiencies.

7.4 Other risks that should be considered are:

*National*

- The playing out of the consequences of the UK's decision to leave the European Union. This may include implications for pension schemes and the Council's future contributions to the Hampshire Pension Fund; the value of properties including those recently purchased; the interest earned on the Council's investments or payable on its borrowings;
- Deterioration in income streams due to the economic climate including planning fees, parking income and rents;
- Pressure on services due to legislative changes, such as Welfare reform or the Housing and Planning Act;
- Financial restrictions from regulatory changes to the Prudential framework (e.g. CIPFA Prudential Code and Treasury Management Code, MHCLG's Investment guidance)
- The effect of decisions made by other external institutions to reduce/ cease funding that may affect the financing of Council activities, or place pressure on Rushmoor to meet the shortfall;

*Local:*

- The delivery of major change programmes in the organisation;
- Pressure on services from demographic change;
- Maintaining a balance between new priorities and achieving savings targets;
- Non-delivery, or delayed delivery, of key projects (Regeneration/Housing) that impact on residents, town centres and on the Council's financial position
- Demand-led budget and pressure within services
- Commercial income under achieved due to increase in vacant units

## **8 CONCLUSIONS**

- 8.1 There will always be variances reported in-year against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances. While we would not want financial constraints to hamper this responsive approach, which works well for residents, the Council does need to reduce its net cost of services (by reducing costs or increasing income) to achieve financial sustainability.
- 8.2 However, there is a need for strong and robust budgetary control to ensure that services costs are managed effectively. As this report has highlighted, there are a number of offsetting variations across portfolio budgets. The overall net variation of £89k may provide members some comfort that the financial performance of the Council is relatively strong. However, as sections 3 and 4 of the report have highlighted, there are some material income pressures that will need to be considered over the budget setting period to ensure if the long-term sustainability of the organisation is to be achieved.
- 8.3 Budget and efficiency savings need to continue to be identified through the budget monitoring process to contribute to the overall reduction in service budgets. A proactive approach to savings is encouraged where budgets that are no longer required can be counted against the savings targets. In the event of in-year budgetary pressures, budget holders should ensure that additional costs or income shortfalls can be contained within existing resources. If this is not possible, options for corrective action should be considered and agreed with Heads of Service and Finance where appropriate.
- 8.4 The current monitoring position shows the risk-based general fund balance will be maintained at £2m at year-end, assuming the achievement of £470k of savings during the Q3 and Q4.
- 8.5 Should savings not be achieved there is short-term flexibility to support the general fund balance through use of the Stability and Resilience reserve but reductions in net expenditure must be achieved in the longer-term to avoid reliance on one-off funding.
- 8.6 While this report provides reassurance for the current financial year, the scale of the challenge over the medium-term remains considerable and efforts should be concentrated on moving forward modernisation and improvement plans in order to support delivery of the Council Plan and secure a sustainable financial future.

## **CONTACT DETAILS:**

Report Author: Alan Gregory – Finance Manager [alan.gregory@Rushmoor.gov.uk](mailto:alan.gregory@Rushmoor.gov.uk)  
01252 398441

Head of Service: David Stanley – Executive Head of Finance  
[david.stanley@Rushmoor.gov.uk](mailto:david.stanley@Rushmoor.gov.uk) 01252 398440

# APPENDIX A

## GENERAL FUND REVENUE BUDGET SUMMARY

	ORIGINAL ESTIMATE	CURRENT APPROVED ESTIMATE	FORECAST OUTTURN	BUDGET VARIATION
	2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
<b>Net Cost of Services by Portfolio</b>				
1 Corporate & Democratic Services	5,613	5,832	5,829	(3)
2 Customer Experience and Improvement	43	278	230	(48)
3 Major Projects and Property	(2,668)	(4,642)	(4,172)	470
4 Operational Services	8,547	8,390	7,923	(468)
5 Planning & Economy	2,727	2,787	2,924	137
6 <b>PORTFOLIO NET EXPENDITURE</b>	14,261	12,644	12,734	89
7 Capital Accounting Charges - Reversed	(1,964)	(1,964)	(1,964)	0
8 Pension Adj/Employee Benefits Reversed	(496)	(496)	(496)	0
9 <b>NET EXPENDITURE AFTER ADJUSTMENTS</b>	11,801	10,184	10,274	89
10 Reductions in Service Costs/Income Generation	(3,931)	(717)	(306)	411
11 Vacancy Monitoring	(325)	(325)	(164)	161
12 <b>Corporate Income and Expenditure</b>	1,389	693	324	(369)
13 <b>Contributions to/(from) Reserve Accounts</b>	2,358	1,632	1,163	(470)
14 <b>Central Government Funding</b>	(4,883)	(4,882)	(4,882)	0
15 <b>NET TOTAL EXPENDITURE</b>	6,409	6,587	6,409	(178)
16 Contribution to/(from) balances	0	(178)	0	178
17 <b>COUNCIL TAX REQUIREMENT</b>	6,409	6,409	6,409	(0)
<b>REVENUE BALANCES</b>				
18 1 April	2,000	2,000	2,000	0
19 General Fund Transfer	0	(178)	0	178
20 31 March	2,000	1,822	2,000	178

Notes:

12 <b>Corporate Income and Expenditure</b>				
Interest Receivable	(1,358)	(1,358)	(1,589)	(231)
Interest payable	1,056	1,056	786	(270)
Minimum Revenue Provision	1,410	1,410	1,410	0
Collection Fund (surplus)/deficit - Ctax	(97)	(97)	(97)	0
Collection Fund (surplus)/deficit - NNDR	(299)	(299)	(299)	0
Other Corporate Income and Expenditure	45	(19)	113	132
<b>Total</b>	757	693	324	(369)

13 <b>Contributions to/(from) Reserve Accounts</b>				
Revenue Contributions to Capital Programme	0	67	107	40
Transfers to CPE Surplus Account	76	76	47	(29)
Contributions to/(from) earmarked reserves - carry forwards	0	(432)	(432)	0
Contributions to/(from) earmarked reserves/prior yr grants	(109)	(218)	339	557
Contributions to/(from) Service Improvement Fund	(93)	(130)	(350)	(220)
Contributions to/(from) Stability & Resilience Reserve	483	483	0	(483)
Contributions to/(from) Commercial Reserve	2,000	1,787	1,452	(335)
<b>Total</b>	2,358	1,632	1,163	(470)

14 <b>Central Government Funding</b>				
New Burdens and other non-ring-fenced grants	(36)	(36)	(36)	0
New Homes Bonus	(1,010)	(1,010)	(1,010)	0
Revenue Support Grant	0	0	0	0
<b>Business Rates Retention (BRR)</b>	<b>(3,836)</b>	<b>(3,836)</b>	<b>(3,836)</b>	0
<b>Total</b>	<b>(4,883)</b>	<b>(4,882)</b>	<b>(4,882)</b>	0



# APPENDIX B

## GENERAL FUND REVENUE ACCOUNT 2019/20 PRINCIPLE VARIATIONS FROM CURRENT APPROVED BUDGET

Variations identified by service during quarter 2 budget monitoring exercise amounting to a net overspend of £89,415

Corporate and Democratic Services Portfolio - VARIANCES RELATED TO EXPENDITURE BUDGETS			£000
Expenditure			
Corporate Manager Legal Services	Land Charges	Additional spend on searches undertaken by Hampshire County Council on behalf of the Council	18,000
	Legal Support	Adverse variance for Law School fees (spans two years however have to be paid upfront)	7,000
Democracy, Strategy and Partnerships	Grants to Major Organisations	Additional notional cost of 'free' parking for charities/voluntary organisations (offset with notional income figure in the car parks cost centre) Additional rent relief following the move of a tenant from the Farnborough Community Centre to the Council Offices	5,000 15,200
	Grants to Other Organisations	Reduction in rent relief following the closure of Farnborough Community Centre	(25,200)
Financial Services	Rent Allowances	Changes to software (funded by government) Grant income for transition costs re Universal Credit	9,000 (32,000)
	Financial Services Support	Reduction in spend on consultancy fees due to a lack of requirement in 2019/20	(5,000)
All other expenditure variances within portfolio			(2,550)
<b>Total Expenditure Variances in Corporate and Democratic Services Portfolio</b>			<b>(10,550)</b>

Corporate and Democratic Services Portfolio - VARIANCES RELATED TO INCOME BUDGETS			£000
Income			
Corporate Manager Legal Services	Legal Support	Adverse variance due to delay in introducing new income tariff for Section106 agreements	25,000
Democracy, Strategy and Partnerships	Local Elections	Increase in income due to contribution received towards election costs	(5,000)
Financial Services	Rent Allowances	Changes to software (funded by government)	(9,000)
All other income variances within portfolio			(3,000)
<b>Total Income Variances in Corporate and Democratic Services</b>			<b>8,000</b>

<b>Total Net Variances in Corporate and Democratic Services Portfolio</b>	<b>(2,550)</b>
---	----------------

Customer Experience and Improvement Portfolio VARIANCES RELATED TO EXPENDITURE BUDGETS			£000
- Expenditure			
ICT, Facilities and Project Services	IT Management	Additional consultancy costs particularly around Office 365	6,500
Customer Experience	Customer Services Unit	Reduction in postage costs	(5,000)
All other expenditure variances within portfolio			3,000
<b>Total Expenditure Variances in Customer Experience and Improvement Portfolio</b>			<b>4,500</b>

Customer Experience and Improvement Portfolio VARIANCES RELATED TO INCOME BUDGETS			£000
- Income			
ICT, Facilities and Project Services	Council Offices	Income from tenants following the relocation from Farnborough Community Centre (this income was previously showing in the Farnborough Community Centre cost centre)	(47,950)
All other income variances within portfolio			(4,200)
<b>Total Income Variances in Customer Experience and Improvement Portfolio</b>			<b>(52,150)</b>

<b>Total Net Variances in Customer Experience and Improvement Portfolio</b>	<b>(47,650)</b>
---	-----------------

Major Projects and Property Portfolio - Expenditure		VARIANCES RELATED TO EXPENDITURE BUDGETS	£000
Regeneration, Property and Highways	Rushmoor Properties	Additional Expenditure for external advice/support on the Council's investment properties - initial review report. Funded from Service Improvement Fund	40,000
		Additional Expenditure for external advice/support on the Council's investment properties. Funded from Service Improvement Fund	23,000
	Regeneration Departmental Expenses	Reduction in publicity and advertising costs in the regeneration team	(6,000)
	Belle Vue Enterprise Centre	Adverse variance due to an increase in the number of repairs and maintenance of the units and associated costs	7,000
	168 High Street, Guildford	Adverse variances of service charge and NNDR expenditure that the Council is liable for whilst the Highpoint building is largely vacant and being refurbished. As advised in report RP1910 and funded from Commercial Reserve	35,000
	36-63 Union Street, Aldershot	Adverse variance due to additional unplanned asbestos works and scaffolding costs for 53-55, 54-56 and 58 Union Street	5,000
	Frimley 4 Business Park	Additional expenditure in relation to the Council's landlord obligations at Frimley 4 Business Park. Expenditure includes costs around lease renewals, tenant incentives, support for gym/café, business rates on void properties.	142,000
	Community Maintenance Team	Reduction in spend as the Council does not have any current skilled up projects running (offset with a reduction in income)	(10,000)
Marks and Car Boot Sales	Reduction in spend on casual staff Reduction in spend on trade refuse costs relating to the prior financial year	(14,000) (6,900)	
All other expenditure variances within portfolio			10,400
<b>Total Expenditure Variances in Major Projects and Property Portfolio</b>			<b>225,500</b>

Major Projects and Property Portfolio - Income		VARIANCES RELATED TO INCOME BUDGETS	£000
Regeneration, Property and Highways	35/39 High Street, Aldershot	Unachievement of service charge income from tenants. Nature of the lease means the Council is unable to recover service charge debt owing from previous year	17,000
		Unachievement of rental income from tenants due to ongoing problems with the lease renewal	10,000
	Rushmoor Development Plan Costs	Income stream (previously not clarified)	(132,000)
	Town Centres	Delay with finalising new lease with the Community Pre-School for Bevan Lodge has resulted in the rental income not being achieved in this financial year:	
		Missing rent	5,000
		Budget for rechargeable service charges/insurance unachievable under the current lease agreements	12,000
	168 High Street, Guildford	Rental loss due to previous tenant Steamer Trading entering administration. Guildford store closed by ProCook who had brought Steamer Trading business. Lease agreement reached with new tenant with a 'rent-free' incentive provided for a 12 month period (covered by drawdown from Commercial Reserve as per report RP1910)	275,000
		Loss of income due to vacant second floor office, difficulties in letting (let for ten months of the year)	15,500
	Wellesley House, 10 Eelmoor Road, Farnborough	Favourable variance due to additional income for back-rent from Classic Race Simulators	(10,000)
	36-63 Union Street, Aldershot	Loss of income from tenant due to surrender of lease from December 2019. Consideration to be given to funding from negotiated lease surrender settlement.	58,500
	Marks and Car Boot Sales	Shortfall in markets income	29,000
		Shortfall in car boot sales income	6,100
Community Maintenance Team	Reduction in income as the Council does not have any current skilled up projects running (offset with a reduction in expenditure)	10,000	
Other Highway Services	Additional income from temporary traffic regulation orders (partially offset with increased expenditure)	(5,000)	
	Additional engineering fee income (offset with additional salary cost)	(43,300)	
All other income variances within portfolio			(3,100)
<b>Total Income Variances in Major Projects and Property Portfolio</b>			<b>244,700</b>

<b>Total Net Variances in Major Projects and Property Portfolio</b>			<b>470,200</b>
---	--	--	----------------



Operational Services Portfolio - Expenditure		VARIANCES RELATED TO EXPENDITURE BUDGETS	£000
Operations	Pollution and Environmental Control	Additional spend on the A331 Air Quality Project (offset by grant funding)	22,500
	Pest Control	Reduction in spend on contractor payment due to entering a new pest control contract that is now a chargeable service	(7,300)
	Housing Advice	Increase in homelessness cases Increase in case deposits paid to landlords including an increase in those for single claimants	60,000 5,000
	Improvement Grants	Reduction in expenditure for 2019/20 - Parity Trust membership for this year has been funded within monies held by Parity	(5,000)
	Parks and Recreation Grounds	Additional expenditure to reinstate the accessible footpath at Rowhill Copse following works undertaken by Scottish and Southern Electricity to remove electricity pylons (income has been received by SSE to fund these works)	9,900
		Additional budget granted in 2018/19 for tree maintenance included in 2019/20 budget in error	(11,400)
		Additional spend on pavilions/buildings Additional spend on water bills	12,500 5,000
	Car Parks	Additional spend on Littering and Dog Fouling FPNs as the pilot scheme was extended for six months (offset by additional income)	47,900
		Reduction in spend on card handling fees	(11,600)
	Parking Management	Additional spend on card charges	7,300
	Crematorium	Reduction in spend on ministers fees as the Council no longer provides this service	(6,500)
		Additional revenue costs for the mobile elevation platform (previously a capital project however cost below the capital deminimus levels, thus expenditure must now be categorised as revenue expenditure)	9,500
	Cemeteries	Additional spend on repairs and maintenance	5,000
	Grounds Maintenance	Reduction in spend of Grounds Maintenance due to inventory changes	(11,900)
	Domestic Refuse	Reduction in spend due to Uplift Adjustment to SERCO contract	(15,800)
		Reduction in spend on contractor payment as the budget includes a calculation for the estimated number of new properties likely in the year	(10,600)
	Farnborough Leisure Centre	Leisure contract saving over the three sites due to budgeting for a slightly higher figure	(5,200)
Farnborough Community Centre	Reduction in spend on direct grant following the closure of the Farnborough Community Centre	(6,000)	
All other expenditure variances within portfolio			32,500
<b>Total Expenditure Variances in Operational Services Portfolio</b>			<b>125,800</b>

Operational Services Portfolio - Income		VARIANCES RELATED TO INCOME BUDGETS	£000
Operations	Housing Advice	Increase in rent due from homelessness cases	(45,000)
	Pollution and Environmental Control	Additional grant income on the A331 Air Quality Project. The grant is to be spent annually over the next 4 to 5 years on the monitoring and evaluation, the balance of funds at year end transferred to an earmarked reserve	(196,500)
	Houses in Multiple Occupation	Reduction in income, this reflects a number of HMO's becoming single dwellings and a reduction in the number living in a property to below five so do not require a licence	26,000
	Improvement Grants	Increase in contribution for support relating to applications for improvements grants	(5,000)
	Parks and Recreation Grounds	Income received from Scottish and Southern Electricity to fund works in respect of the reinstatement of the accessible footpath at Rowhill Copse following works undertaken to remove electricity pylons ( corresponding note showing in expenditure)	(9,900)
		Rowhill SANG Developers Contributions received in year, these SANG receipts will be Transferred to the SANG earmarked Reserve from the general fund at year end	(418,500)
		Rowhill SANG Developers Contributions received in year, these SANG receipts will be Transferred to the SANG earmarked Reserve from the general fund at year end	(29,000)
	Car Parks	Notional value of issuing 'Free' parking permit to a new voluntary organisation	(5,000)
		Additional income on Littering and Dog Fouling Fixed Penalty Notices (FPNs) as the pilot scheme was extended for six months (offset by additional expenditure)	(56,000)
		Additional season ticket income from businesses who have requested either new or additional permits in year	(71,200)
	Parking Management	Shortfall in Pay and Display income	14,500
		Shortfall in Penalty Charge Notice (fines) due to two vacant Civil Enforcement Officer posts (Salary savings included in the Savings Plan line reported separately)	55,100
	Cemeteries	Shortfall in Pay and Display income	19,700
		Shortfall in Penalty Charge Notice (fines) due to two vacant Civil Enforcement Officer posts	48,600
	Crematorium	Additional grave sales income	(14,000)
	Recycling	Reduction in income on ministers fees as the Council no longer provides this service	6,500
		Shortfall in cremation fee income	59,500
		Increase in benches memorial income	(6,000)
	Farnborough Community Centre	Reduction in Materials Recovery Facility (MRF) income due to stricter controls with acceptable recycling	9,200
		Additional recycling credit income	(6,200)
Additional green waste sales income		(25,000)	
Increase in wheeled bin developers contributions		(5,000)	
Southwood Community Centre	Reduction in income following the Farnborough Community Centre closure (offset with additional income being recorded on the Council Offices cost centre for two relocated tenants)	52,500	
	Reduction in income as the church has relocated out of the Community Centre	7,000	
All other income variances within portfolio			300
<b>Total Income Variances in Operational Services Portfolio</b>			<b>(593,400)</b>
<b>Total Net Variances in Operational Services Portfolio</b>			<b>(467,600)</b>

Planning and Economy Portfolio - Expenditure		VARIANCES RELATED TO EXPENDITURE BUDGETS	£000
Economic, Planning and Strategic Housing	Special Events	Reduction in spend on firework event budget, this brings the expenditure in line with previous years events	(18,300)
	Planning Policy	Adverse variance on Consultancy. Expenditure on consultants is required as part of the SPA Project and delegated authority was approved at Cabinet on 5th February 2019 for the Head of Economy, Planning and Strategic Housing to approve future expenditure and report through the budget monitoring process (funded from the Planning Delivery Fund Income earmarked reserve and a corresponding variance will be reported on earmarked reserves).	25,995
	Development Management	Adverse variance on consultancy, specialist expertise have had to be employed in respect of two separate applications	5,000
	Planning Policy	Favourable variance on training expenses. Funding for a post graduate course no longer required. This was due to be funded from the additional 20% Planning Application Income earmarked reserve (9351) and a corresponding variance will be reported on earmarked reserves.	(5,230)
All other expenditure variances within portfolio			250
<b>Total Expenditure Variances in Planning and Economy Portfolio</b>			<b>7,715</b>

Planning and Economy Portfolio - Income		VARIANCES RELATED TO INCOME BUDGETS	£000
Economic, Planning and Strategic Housing	Special Events	Reduction in the firework event ticket sales budget - as the event cost is being funded by sponsorship income	39,300
		Firework event sponsorship income	(17,500)
	Development Control	Adverse variance on planning applications (the variance is being attributed to uncertainty caused by Brexit)	85,000
		Adverse variance on pre application charges (the variance is being attributed to uncertainty caused by Brexit)	7,000
		Adverse variance on planning applications (the variance is being attributed to uncertainty caused by Brexit). The income from the cost centre is due to be added to the additional 20% Planning Application Income earmarked reserve and a corresponding variance will be reported on earmarked reserves)	17,000
Building Control Development Fees	Adverse variance on fees and charges. Income in the second half of the year is expected to be boosted by additional work coming through which was previously being carried out privately by Approved Inspectors, however it is unlikely all of the shortfall from the first half of the year will be made up)	5,000	
All other income variances within portfolio			(6,500)
<b>Total Income Variances in Planning and Economy Portfolio</b>			<b>129,300</b>

<b>Total Net Variances in Planning and Economy Portfolio</b>	<b>137,015</b>
--	----------------

<b>Net portfolio Expenditure Variances</b>	<b>352,965</b>
--	----------------

<b>Net Portfolio Income Variances</b>	<b>(263,550)</b>
---------------------------------------	------------------

<b>Net Portfolio Variances</b>	<b>89,415</b>
--------------------------------	---------------

Additional Information		
	<b>Earmarked Reserves</b>	<b>158,635</b>
	<b>Net Portfolio Variances excluding Earmarked Reserves</b>	<b>248,050</b>



## APPENDIX C

The Supplementary Estimates totalling -£2,367,171 for Quarter one and Quarter two 2019/20 (including those relating to Earmarked Reserves) are shown below:

<b>Corporate and Democratic Services Portfolio</b>	<b>£000</b>
-Financial Services - Council Tax Benefits	
Enhancements to the Council Tax Scheme hardship fund is likely to create more hardship,	2
- Personnel Support Service - E-Learning Support	
Cover costs in first year of contract on e-learning portal. Subsequent years will be vired from Health & Safety E Learning Support code	3.8
- Council Tax Support Scheme Consultancy	
Consultancy to design & develop a CTS scheme for 20/21 and associated admin charges	9.04
Funding for design of CTS scheme from additional grant income on HB	-9.04
- Electoral Registration	
To backfill post CE0130 whilst the post holder supports work on updating the constitution	3
- Legal Support Services	
New trainee solicitor post - salary and training costs	
- Salary	3.5
- Training	4.5
- Legal Support Services	
Additional temporary staff budget to catch-up with the backlog of legal work as a priority	20
<b>Corporate and Democratic Services Portfolio Total</b>	<b>36.8</b>
<b>Customer Experience and Improvement Portfolio</b>	<b>£000</b>
- Customer Services Unit	
Refurbishment of the reception area	15.51
<b>Customer Experience and Improvement Portfolio Total</b>	<b>15.51</b>
<b>Major Projects and Property Portfolio</b>	<b>£000</b>
- Regeneration, Property and Highways Service - Building Services Support	
Budget required for a temporary building surveyor	6.373
-Regeneration and Property Services - 168 High Street, Guildford	
Agency letting fees attributable to securing new tenant and paying premium to the sub-tenant to surrender their lease	40
Repairs and maintenance including refurbishment of the second floor offices and improvements and repairs to the office common parts and signage that cannot be recovered through service charges	24

- Regeneration, Property and Highways Service - Frimley 4 Business Park Rental income for newly acquired property	<b>-1798.51</b>
- Regeneration, Property and Highways Service - Ashbourne House, Guildford Rental income for newly acquired property	<b>-966.405</b>
- Regeneration, Property and Highways Service - 36-63 Union Street, Aldershot  Scaffolding required to support high wall with high risk of collapse at 54-56 Union Street. Also need to install props to support the floors that have risk of failure at the same address	<b>43</b>
- Regeneration, Property and Highways Service - Rushmoor Properties  Revaluation report of various Rushmoor properties (funded from the Commercial Reserve)	<b>39</b>
- Regeneration, Property and Highways Service - Commercial Properties Hoardings for former golf club buildings at Southwood Contry Park	<b>17</b>
Detailed survey of the former Golf Course at Southwood in order to generate an options buildings' appraisal	<b>15</b>
- Reneration, Property and Highways Service - Buildings Support Services Temporary staff costs for additional admin support staff	<b>14</b>
- Reneration, Property and Highways Service - 36 to 62 Union St, Aldershot Devpt 48 Union Street - holding costs of the building until transferral into RDP	<b>73</b>
<b>Major Projects and Property Portfolio Total</b>	<b>-2493.81</b>

<b>Operational Services Portfolio</b>	<b>£000</b>
- Operational Services - Integrated CCTV	<b>10</b>
Budget required to carry out feasibility work in order to bring forward a capital scheme for CCTV	<b>10</b>
<b>Operational Services Portfolio Total</b>	<b>10</b>
<b>Planning and Economy Portfolio</b>	<b>£000</b>
-Economy, Planning and Strategic Housing - Town Centre Management	<b>3.68</b>
Approval given to use the Brown Field Government Resource Allocation to support events, (given the current issues with sponsorship) if needed	<b>3.68</b>
-Economy, Planning and Strategic Housing - Planning Conservation	<b>34.5</b>
Budget required to undertake surveys and to review the management plan at Rowhill Nature Reserve. The costs will be covered by a drawdown from the Rowhill Nature Reserve SANG Earmarked Reserve	<b>34.5</b>
Budget required to undertake surveys and to review the management plan at Southwood Woodland. The costs will be covered by a drawdown from the Southwood Woodland SANG Earmarked Reserve	<b>26.15</b>
<b>Planning and Economy Portfolio Total</b>	<b>64.33</b>

<b>Total Supplementary Estimates</b>	<b>-2367.17</b>
--------------------------------------	-----------------

<b>Of which, rental income for Ashbourne House and Frimley 4 Business Park form part of the £3.931m budget savings</b>	<b>2,765</b>
--	--------------





## APPENDIX D

### Planned Budget Savings by category

Negative supplementary estimates showing as budget savings for 2019/20 of (£3,214,000) and total savings achieved are in 2019/20 shown below:

<b>Savings estimated</b>	<b>2019/20</b>	<b>Savings achieved and built into Q1 budgets</b>	<b>Savings still to achieve in year</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Efficiency savings</b>			
<u>Organisational Redesign</u>			
MARS ( 2nd round) & restructure	300	20	280
Rushmoor 2020			
	<b>300</b>	<b>20</b>	<b>280</b>
<u>Better Procurement &amp; major contract renewal</u>			
Better Procurement		40	-40
Major contract renewal - Leisure	230	230	0
	<b>230</b>	<b>270</b>	<b>-40</b>
<u>ZBB</u>			
Service reviews - ZBB	151	151	0
	<b>151</b>	<b>160</b>	<b>-9</b>
<b>Income Generation</b>			
Investment in Property - Commercial			
Additional acquisition	625	0	625
Voyager - not in receipt until 20/21	0	0	0
Ashbourne House - Due to purchase in February	926	966	-40
Frimley Park - not in receipt until 19/20	1,641	1798	-157
	<b>3,191</b>	<b>2,764</b>	<b>427</b>
Reviewing fees, charges and concessions			
Fees and Charges	59	0	59
	<b>59</b>	<b>0</b>	<b>59</b>
<b>Total estimated savings</b>	<b>3,931</b>	<b>3,214</b>	<b>717</b>